

Kosmas Votes to Protect Small Businesses and their Customers from Unfair Credit Card Practices

House of Representatives Passes Bipartisan Credit Cardholders' Bill of Rights

(Washington, DC) - Today, Congresswoman Suzanne Kosmas (FL-24), voted in favor of H.R. 637, the Credit Cardholders' Bill of Rights Act, which passed the House by an overwhelmingly bipartisan vote of 357-70. The legislation levels the playing field between card issuers and cardholders by applying common-sense regulations that ban retroactive interest rate hikes on existing balances, double-cycle billing, and due-date gimmicks. It also increases the advance notice of impending rate hikes, giving cardholders the information they need and rights to make decisions about their financial lives.

The bill will significantly help small businesses. According to a report by the National Small Business Association (NSBA), nearly half (49 percent) of all small business owners use credit cards to finance some part of their business.

"Small businesses are the engines for job creation in Central Florida and this is an important step in freeing up the flow of credit and supporting them in these difficult economic times," said Congresswoman Kosmas. "Abusive credit card practices severely affect small business owners and impede their ability to create jobs and invest in our community. This bill will significantly help small business owners who rely on credit cards to finance their businesses, while ensuring that their customers are protected."

The Credit Cardholders' Bill of Rights is strongly supported by business groups such as the NSBA and the National Federation for Independent Business (NFIB). According to a 2008 NFIB Small Business Poll, 74 percent of small business owners have a business credit card. The Poll also showed that small business owners, as credit card consumers, often experienced unfair practices by the industry. For example, in the last 12 months 14 percent did not receive credit for payments until well after the payment cleared and 11 percent were charged overdraft fees when the overdrafts were the exclusive result of bank holds. The bill has been sent to the Senate for consideration.

Additional
information about the Credit Cardholders'

Bill of Rights Act:

Ends Unfair, Arbitrary Interest Rate Increases

- Prevents card companies from unfairly increasing interest rates on existing card balances - retroactive increases are permitted only if a cardholder is more than 30 days late, if a promotional rate expires, if the rate adjusts as part of a variable rate, or if the cardholder fails to comply with a workout agreement.

- Requires card companies to give 45 days' notice of all interest rate increases or significant contract changes (e.g. fees).

Lets Consumers Set Hard Credit Limits, Stops Excessive "Over-the-Limit" Fees

- Requires companies to let consumers set their own fixed credit limit that cannot be exceeded.

- Prevents companies from charging "over-the-limit" fees when a cardholder has set a limit, or when a preauthorized credit "hold" pushes a consumer over their limit.

- Limits (to 3) the number of over-the-limit fees companies can charge for the same transaction - some issuers now charge virtually unlimited fees for a single violation.

Ends Unfair Penalties for Cardholders Who Pay on Time

- Ends unfair "double cycle" billing - card companies couldn't charge interest on debt consumers have already paid on time.

- If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest.

- Prohibits card companies from charging a fee when customers pay their bill.

Requires Fair Allocation of Consumer Payments

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Many companies credit payments to a cardholder's lowest interest rate balances first, making it impossible for the consumer to pay off high-rate debt. The bill bans this practice, requiring payments made in excess of the minimum to be allocated proportionally or to the balance with the highest interest rate.

Protects Cardholders from Due Date Gimmicks

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Requires card companies to mail billing statements 21 calendar days before the due date (up from the current 14 days), and to credit as "on time" payments made before 5 p.m. local time on the due date.

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Extends due date to next business day for mailed payments when the due date falls on a day a card company does not accept or receive mail (i.e. Sundays and holidays).

Prevents Companies from Using Misleading Terms and Damaging Consumers' Credit Ratings

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Establishes standard definitions of terms like "fixed rate" and "prime rate" so companies can't mislead or deceive consumers in marketing and advertising.

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Gives consumers who are pre-approved for a card the right to reject that card prior to activation without negatively affecting their credit scores.

Protects Vulnerable Consumers from High-Fee Subprime Credit Cards

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Prohibits issuers of subprime cards (where total yearly fixed fees exceed 25 percent of the credit limit) from charging those fees to the card itself. These cards are generally targeted to low-income consumers with weak credit histories.

Bars Issuing Credit Cards to Vulnerable Minors

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Prohibits card companies from knowingly issuing cards to individuals under 18 who are not emancipated.

Requires
Better Data Collection from Credit Card Industry

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Requires reports to Congress by the Federal
Reserve on credit card industry practices to enhance congressional oversight.

Swift
Implementation of 45-Day Notice Requirement

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Requires card companies to send out 45-day
notice of interest rate increases 90-days after the bill is signed into law;
the remainder of the bill takes effect 12 months after enactment.

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